

THE CITY OF SAN DIEGO

January 8, 2002

Chair and Members, Scripps Ranch Civic Association

Subject: Overview of Scripps-Miramar Ranch and Miramar Ranch North
Maintenance Assessment Districts (MADs), a.k.a. Landscape Maintenance Districts (LMDS)

Mission

The City of San Diego administers the contracts for the Scripps-Miramar Ranch and Miramar Ranch North MADs. The property owners' assessments pay for contract inspection and fiscal management. As a result, City employees in the Park and Recreation Dept./Special Services Division/MAD Unit work for the property owners to accomplish the MADs' objectives. We are keenly aware that the funds in the MADs come directly from the pockets of the property owners. Our goal is to manage your money as if it were our own personal money - - in the most creative, effective and efficient manner possible. We hold ourselves, and the various contractors who perform the maintenance services, to a high level of accountability.

Additionally, we recognize that residents of Scripps-Miramar Ranch and Miramar Ranch North are neighbors in one umbrella community, with many interests in common. So, although the two MADs were constructed with different landscaping plans, which require very different funding levels to maintain; and although we stay strictly accountable to the property owners in each MAD; we also know that in this umbrella community, sharing information is very important in order to avoid rumors and misinformation. In each of these two MADs, property owners who are actively involved in the issues have let us know that they want there to be cross-sharing of information. This document is one effort toward that objective.

Structure

We accomplish our mission through the following structure. About half of my job is to oversee the 39 MADs City-wide. Two District Managers are each responsible for about half of the 39 MADs, and they each supervise 6 Grounds Maintenance Managers who perform contract inspection. For Scripps-Miramar Ranch, the District Manager is Louie Solis and the Grounds Maintenance Manager is Layton Galloway. For Miramar Ranch North, the District Manager is Don Makie and the Grounds Maintenance Manager is Geoff Alpert. In addition, there are Business staff in the MAD Unit who coordinate the financial information, and work with independent Assessment Engineers and the County Assessor.. They are Steve Yates and Bryan Barnes.

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Scripps-Miramar Ranch and Miramar Ranch North are Districts which operate smoothly and well. The Grounds Maintenance Managers handle the day-to-day business, and the rest of the staff assists by providing research and information, and by solving administrative obstacles that may hinder getting the job done in a manner satisfactory to the property owners.

Scripps-Miramar Ranch MAD

The District formed in 1969. It maintains 474 acres of dedicated open space (which contain natural trees and vegetation, walking trails, picnic areas, benches and drainage facilities), 15,467 square feet of landscaped medians, 2 ponds, and 4 City park areas: Jerabek, Cypress Canyon, Lakeview and the joint-use fields at the high school and elementary school.

The District's current-year budget is \$702,700. This year, the City is contributing \$191,000 to the District to pay for the City's share of the maintenance of the open space, landscaped medians, landscape maintenance of City parks and landscape maintenance of the community library. This amount is adjusted each year to reflect the average cost per square foot or acre that the City spends on comparable areas elsewhere. Since the average cost per acre for City parks does not include replacing removed playground equipment or removing trees which have died from the lerp psyllid, where the fall zone for the tree is such that persons could be hurt or property damaged, this year the City is also paying to replace removed playground equipment at City parks, and is reimbursing the District to remove trees in these specific circumstances.

The District was last balloted in 1997. The current annual assessment amount is \$84 per Equivalent Benefitting Unit (EBU). For example, one detached single-family residence is generally one EBU; commercial office & retail is 45 EBUs per acre; and industrial is 15 EBUs per acre.

The District is managed in a very cost effective manner. Over the years, a substantial reserve was built up, and that reserve was spent on projects that benefitted the community. Between 1997 and 1999, the District funded the following projects: \$31,650 to install the new high school softball field; \$56,440 to install the swing set, shade structures and concrete pad and rails to make the port potties accessible at Lakeview Park; \$71,500 to replace the high school soccer field; \$57,960 to install the stage at Hoyt Park; and \$10,500 to replace the sand at Jerabek Park with a higher quality sand.

Recent cost increases City-wide have exceeded inflation for contractual landscape maintenance and for water, and this has resulted in many districts, including Scripps-Miramar Ranch, having to spend-down their reserves to cover operating costs. A prudent reserve is 10% of the operating budget. Scripps-Miramar Ranch is expected to end the fiscal year with nothing in its reserve.

An assessment increase next fiscal year to \$116 per EBU is recommended to: maintain the current service levels, fund a 10% operating reserve, restore the former high service level for turf/grass management and ballfield maintenance, begin a tree planting program to replace removed trees, replace the deteriorated irrigation system at Jerabek Park, begin a capital

amortization fund to replace landscape and hardscape assets at the end of their useful lives, and fund future special projects endorsed by the community.

Since it costs the District \$16,140 every time it ballots (\$2.50 for each of 6,456 parcels for: printing, postage and bar-code reading of ballots), the \$116 assessment rate, which can be increased by the San Diego CPI-Urban index annually, is expected to avoid the cost of rebaloting in the foreseeable future.

If the Scripps-Miramar Ranch MAD goes to ballot to increase assessments, it will also be worthwhile looking at whether the current apportionment method is still valid. The District would pay for an independent Assessment Engineer to do this.

Miramar Ranch North MAD

At "build-out," which is after all areas that are built and maintained for 2-3 years by the developer are turned over to the District to maintain, the District will be responsible for the maintenance of the following "assets": approximately 100,000 square feet of landscaped median, 80,000 square feet of hardscape median, 700,000 square feet of landscaped right-of-way, around 3 million square feet of landscaped slopes, 100,000 linear feet of gutters, 300,000 square feet of curbs and sidewalks and 300,000 square feet of pocket parks.

The District's current year budget is \$789,000. This year, the City is contributing \$13,350 to the District to pay for the City's share of the maintenance of landscaped medians. This amount is adjusted each year to reflect the average cost per square foot that the City spends on comparable areas elsewhere.

At the time the properties were initially sold, developers informed prospective buyers that the MAD annual fee "could be several hundred dollars." The District was last balloted in 1998. The current assessment amount in the commercial area is \$50.64 per EBU and in the balance of the District is \$127.34 per EBU. For example, one detached single-family residence is generally one EBU; commercial office & retail is 45 EBUs per acre; and industrial is 15 EBUs per acre.

The District is managed in a very cost effective manner. However, the City made an unintentional error in the 1998 ballot, and projected future contractual landscape maintenance costs only for the square feet of assets that were actually being maintained by the District in 1998. We know this was an error, because the water budget was increased sufficient for the additional assets, just not the contract maintenance budget. As some of the additional assets have been turned over by the developer to the City, the District's budget has been strained to maintain the established service level. In addition, the District was affected by the City-wide cost increases that have exceeded inflation for contractual landscape maintenance and for water. The District has covered the increased costs by spending-down the operating reserve. However, this will not be sufficient for the long term.

We are recommending: a) reducing the service level on now-established irrigated slopes adjacent to the right-of-way, with no anticipated negative visible impact; and b) increased assessments to

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cover the estimated costs to maintain the additional assets as they come on-line for maintenance by the District. These recommended assessments per EBU are tentatively estimated as follows:

	Current	FY03	FY04	FY05	FY06	FY07	FY08 and after
Zone 1	\$ 51	\$ 53	\$ 56	\$ 58	\$ 61	\$ 64	+ CPI-U
Zone 2	\$127	\$230	\$241	\$253	\$266	\$279	+ CPI-U

Since it costs the District \$9,550 every time it ballots (\$2.50 for each of 3820 parcels for: printing, postage and bar-code reading of the ballots), the recommended assessment rates are expected to avoid the cost of re-balloting for the foreseeable future.

In addition, the Miramar Ranch North MAD will be looking at balloting to change their Scope of Services to allow the District to pay for the maintenance of the new restroom at Miramar Overlook Park. When the Scope of Services is changed, the District must pay for an independent Assessment Engineer to evaluate whether there is an impact on the apportionment methodology.

New Procedures Affecting MADs

1. Beginning this year, the City will update its contribution for maintenance of landscaped medians, open space, City parks and libraries every year, based on the average amount the City spends per square foot or acre in comparable areas. The amounts will be projected based on prior year actual expenditures, and then an estimated inflation factor will be added. Finally, the amount will be adjusted in arrears when the actual expenditures for the projected years are known.
2. Beginning this year, the Auditor wants to see every MAD maintain a minimum 10% operating reserve, or see a plan and time line for building the operating reserve to 10%.
3. Beginning last year, MAD ballots can no longer be opened as they are returned by property owners. This means that interested property owners cannot see which areas of the community are returning the ballot, or not, and which areas support the ballot, or not. This means that there is no way to know which way the vote is leaning while the voting is still going on. If a ballot fails, City Council policy is that they will not authorize a re-ballot for at least a year.

Sincerely,

Terri Williams
Deputy Director
Special Services Division
Park and Recreation Department